

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6226

BILL NUMBER: HB 1216

DATE PREPARED: Nov 12, 2001

BILL AMENDED:

SUBJECT: Payments in Lieu of Property Taxes on DNR Property.

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FUNDS AFFECTED: **GENERAL**
 DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill requires the Auditor of State to make a semi-annual payment in lieu of property taxes (PILOT) for certain land owned or leased by the Department of Natural Resources (DNR). The legislative body of a county and the board of directors of a conservancy district are allowed to collect a PILOT. For purposes of calculating a PILOT, the land is considered to have an assessed value the same as agricultural land. This bill establishes the Pilot Transfer Account and appropriates from the State General Fund to the Pilot Transfer Account the amount necessary to make required distributions to political subdivisions.

Effective Date: Upon passage; January 1, 2002 (retroactive).

Explanation of State Expenditures: According to the State Land Office, state agencies have reported owning approximately 343,166 acres. Of this total, the DNR manages approximately 320,000 acres. (The majority of the remaining acres, or 23,166 acres, are owned by state universities.) Of the total number of acres managed by the DNR, approximately 176,000 acres, or 55%, are dedicated to state parks. The majority of the remaining land is used by anglers and hunters.

The Division of State Parks & Reservoirs will be leasing approximately 6,140 acres of farmland on reservoir properties to farmers during 2002. The Division of Fish and Wildlife has 6,738 acres that are leased for agricultural purposes. The Division of Forestry leases approximately 200 acres, and the Division of Nature Preserves leases approximately 100 acres. Total acres equal approximately 13,178 acres.

The base value for agricultural real property should be \$1,050 beginning with property taxes paid in CY 2003. Applying the proposed \$1,050 value per agricultural acre to the eligible 13,178 acres would result in a total assessed value (AV) of \$13,836,900.

The PILOT would first be due for property taxes payable after December 31, 2002, or for property tax year

2003. The estimated CY 2003 statewide average net property tax rate is estimated at \$1.90 per \$100 AV. Using the average tax rate, the state's liability is estimated at \$263,000 (\$13.8 M AV divided by \$100 and multiplied by \$1.90). **State fiscal year impacts are estimated at \$131,500 in FY 2003 (or ½ of the first calendar year) and \$265,000 for FY 2004.** The actual state expenditure will depend on the actual tax rates in the taxing districts where the DNR land is located.

State expenditures for property tax replacement (PTRC) would be reduced because the state would no longer be paying property tax replacement on the current levy attributable to the state property. The impact, however, is not expected to be significant.

The Department of Local Government Finance and the Auditor of State will experience additional administrative expenses. The Department of Local Government Finance is required to prescribe forms on which the Auditor of State will convey information regarding the state-owned land to township assessors. Expenses of administering the account are to be paid from money in the PILOT Transfer Account, which is established in this bill.

The bill establishes the PILOT Transfer Account. An annual transfer from the State General Fund to the PILOT Transfer Account would be made in the amount necessary to fund the PILOT. The bill also makes an appropriation from the PILOT Transfer Account for the PILOT distribution. Expenses for administering the account are to be paid from money in the account. Money in the account at the end of a state fiscal year does not revert to the State General Fund.

Explanation of State Revenues:

Explanation of Local Expenditures: The tax liabilities of local taxpayers could decrease if the PILOTs are used to reduce property taxes.

Explanation of Local Revenues: Beginning in CY 2003, local governmental units and school corporations in counties that contain certain land owned or leased by the DNR would receive payments in lieu of taxes from the state under this proposal. **Local units would receive an estimated \$265,000 in FY 2003 and FY 2004.** This money is in addition to all other revenues received and would have no effect on local property tax rates or collections unless a unit elects to use the revenue to reduce its property tax levy.

State Agencies Affected: Department of Natural Resources, Auditor of State, and the Department of Local Government Finance.

Local Agencies Affected: Townships and conservancy districts that contain certain land owned or leased by the DNR.

Information Sources: Jim Lewis, State Land Office (232-3335); Local Government Database; and the DNR (233- 6904).